

SECTION E – OFFICE OF THE COMMISSIONER OF HIGHER EDUCATION/MONTANA UNIVERSITY SYSTEM

Figure 1

5102 Commissioner Of Higher Education Legislative Budget Comparison Table							All Programs	
Federal Stimulus Budget Version	Base FY 2008	Approp FY 2009	Budgeted FY 2010	Budgeted FY 2011	Biennium FY 2008-09	Biennium FY 2010-11	Biennial Change	Biennial Percent
Budget Item								
Operating Expenses	-	-	1,000,000	1,000,000	-	2,000,000	2,000,000	0.0%
Local Assistance	-	-	606,189	671,586	-	1,277,775	1,277,775	0.0%
Grants	-	-	450,000	450,000	-	900,000	900,000	0.0%
Transfers	-	-	49,076,457	50,074,019	-	99,150,476	99,150,476	0.0%
Total Costs	-	-	51,132,646	52,195,605	-	103,328,251	103,328,251	0.0%
General Fund	-	-	-	-	-	-	-	0.0%
Federal Spec. Rev. Funds	-	-	51,132,646	52,195,605	-	103,328,251	103,328,251	0.0%
Total Funds	-	-	51,132,646	52,195,605	-	103,328,251	103,328,251	0.0%

Agency Narrative

HB 645 adds \$103.3 million of federal authority to the Office of the Commissioner of Higher Education/Montana University System (OCHE/MUS) needed to spend state fiscal stabilization funds from the American Recovery and Reinvestment Act of 2009 (ARRA). Language in HB 645 removes \$89.2 million general fund from the 2011 biennium base budget of the MUS educational units in HB 2. Overall, the bill provides a net \$14.1 million increase in total funds for the education and general expenditures of the Montana University System and the community colleges, and other programs in the Office of the Commissioner of Higher Education.

Purpose of Funds

The State Fiscal Stabilization Fund (SFSF) is included in Title XIV of the ARRA. The purpose of the SFSF is to help stabilize state and local government budgets in order to minimize and avoid reductions in education and other essential public services. The federal intent of the SFSF was to help ensure that local education agencies and publicly funded institutions of higher education have the resources to avoid reductions and retain teachers and professors. The fund was also intended to provide governors with resources to support public safety and other government services.

Statutory Changes

HB 645 amends 17-7-102, MCA to include the general fund and state special revenue funds that were reduced in HB 2 by language in HB 645 in the base budget for the biennium beginning July 1, 2011. This statutory change holds the Montana University System 2013 biennium budget harmless from the approximate \$45 million annual general fund/federal fund swap included in HB 645 in the 2011 biennium.

Conditions and Limitations

The total amount of funding in the SFSF that is allocated to Montana is \$148,689,793. The SFSF is split into two funds:



1. The Education Fund, which is allocated 81.8 percent of the \$148.7 million, or \$121.6 million, and must be spent on education (K-12 or higher education)
 - a. Section 39, Section E of HB 645 allocates \$103.3 million of the \$121.6 million to the MUS for education and general expenditures
 - b. Section 39, Section F of HB 645 allocates the remaining \$18.3 million of the \$121.6 million to the MUS for renovation and repair of higher education facilities
2. The Other Government Services Fund, which is allocated 18.2 percent of the \$148.7 million, or \$26.8 million, and may be spent for public safety and other government services, which may include education. Section 39 of HB 645 allocates the \$26.8 million as follows:
 - a. Section A allocates \$1.6 million for Tribal economic development and \$8.0 million for new worker training (Department of Commerce)
 - b. Section B allocates \$2.0 million for county health grants for asbestos (Department of Public Health and Human Services)
 - c. Section F allocates \$15.5 million for state facilities infrastructure renovation and repair (Long Range Building Program)

The Governor must make application for these funds. As part of its application, the Governor must provide five assurances. These assurances are related primarily to K-12 and are listed in the Office of Public Instruction narrative. However, one of those assurances, maintenance of effort, applies to the Montana University System as well as K-12.

The ARRA specifies that higher education institutions that receive SFSF funds shall use the funds for education and general expenditures (general operating budget), and in such a way as to mitigate the need to raise tuition and fees for in-state students; or for modernization, renovation, or repair of higher education facilities. Funds awarded to institutions of higher education may not be used for maintenance, for athletics or other public facilities, or to increase its endowment.

The ARRA requires that states receiving stabilization funds report the following annually to the U.S. Department of Education:

1. How the funds were used within the state
2. The distribution of funds received
3. The number of jobs saved or created
4. Tax increases averted
5. The state's progress in
 - a. reducing inequities in the distribution of highly-qualified teachers
 - b. developing a longitudinal data system
 - c. implementing valid assessments
6. Actions taken to limit tuition and fee increases at public institutions of higher education
7. The extent to which public institutions of higher education maintained, increased, or decreased enrollments of in-state students

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Figure 2

5102 Commissioner Of Higher Education				All Programs		
Legislative Budget Decision Package	General Fund FY 2010	General Fund FY 2011	General Fund FY 2010-11	Total Funds FY 2010	Total Funds FY 2011	Total Funds FY 2010-11
<i>Federal Stimulus New Proposal Decision Packages</i>						
NP00101 Maintain Support for Higher Education	-	-	-	44,076,457	45,074,019	89,150,476
NP00102 Tuition Mitigation for Resident Students	-	-	-	5,000,000	5,000,000	10,000,000
NP00108 Distance Learning & Integrated Enrollment	-	-	-	1,000,000	1,000,000	2,000,000
NP00110 Reinstate Dec. 15th Community College funding	-	-	-	606,189	671,586	1,277,775
NP00111 Reinstate Tribal Assistance Funding	-	-	-	450,000	450,000	900,000
New Proposal Total	-	-	-	51,132,646	52,195,605	103,328,251
Total All Decision Packages	-	-	-	51,132,646	52,195,605	103,328,251

Decision Package Narrative

NP 101 – Maintain Support for Higher Education – The bill adds \$44.1 million and \$45.1 million of SFSF funds in FY 2010 and FY 2011, respectively, to the Appropriation Distribution Program (MUS educational units) in the Office of the Commissioner of Higher Education. The bill also includes language that reduces general fund in the Appropriation Distribution Program (MUS educational units) in HB 2 by a like amount. The impact of this decision package and the related language is a one-time funding switch of federal stimulus funds for a like amount of state general fund for the 2011 biennium. There is no expenditure increase or decrease in this funding switch.

NP 102 – Tuition Mitigation for Resident Students – This bill adds \$10.0 million of one-time-only SFSF funds in the 2011 biennium for resident student tuition mitigation at the Montana University System and the community colleges. There is language in the bill that conditions the appropriation by making the appropriation contingent upon no tuition increases at any MUS educational units or the community colleges.

NP 108 – Distance Learning & Integrated Enrollment – This bill adds \$1.0 million of one-time-only SFSF funds in each year of the 2011 biennium for a new initiative addressing access and affordability of two year colleges, the Distance Learning & Integrated Enrollment project. The funding would be used to centralize distance offerings courses into a single, unified, web-based student enrollment system for admissions and financial assistance and to coordinate with the State Superintendent of Public Instruction to create at least five early college degree programs in a Montana Big Sky Career Pathway for high school students to have access to college courses to achieve a high school diploma and associates degree in five years.

NP 110 – Reinstate Dec. 15th Community College Funding – This bill adds \$1.3 million of one-time-only SFSF funds to the Community Colleges that would reinstate the level of funding recommended in the Governor's December 15th executive budget.

NP 111 – Reinstate Tribal Assistance Funding – The bill adds \$900,000 of one-time-only SFSF funding for the Tribal College Assistance Program for non-beneficiary students.

Alternatives and Policy Options

Although HB 645 includes an additional \$10.0 million from the SFSF in the 2011 biennium for resident student tuition mitigation at the higher education institutions, and language makes the \$10.0 million contingent upon no tuition increase in the 2011 biennium, the amount of funding contained in HB 645 and HB 2 may be insufficient to continue the College Affordability Plan (CAP) at the MUS educational units and implement a CAP at the community colleges. The figure below presents an estimate of the amount needed for a CAP program at the higher education institutions in the 2011 biennium compared to the funding currently available in HB 2 and proposed in HB 645. As shown in the figure, the estimated funding gap to continue the CAP at the MUS educational units and implement a CAP at the community colleges is approximately \$16.0 million for the 2011 biennium.

Several assumptions were used in the calculation of this estimate; these are noted at the bottom of the figure below. Changing the assumptions will impact the calculation of the estimated funding gap.

Estimated Funding Gap for College Affordability Plan in 2011 Biennium Montana University System and Community Colleges

Item	MUS Ed Units	CC	Total
<u>State Funding Needed for CAP in 2011 Biennium</u>			
Dec 15 Executive Budget	\$308,168,253	\$18,738,712	\$326,906,965
Additional Needed for CAP (see note 3,4, & 6)	20,635,049	1,009,047	21,644,096
Total Needed for CAP	\$328,803,302	\$19,747,759	\$348,551,061
Legislative Appropriations			
HB 2 - Current Legislative Appropriation	\$303,857,736	\$17,460,937	\$321,318,673
HB 645 - Proposed Appropriation CC	0	1,277,775	1,277,775
HB 645 - Proposed Appropriation Tuition Mitigation	8,990,953	1,009,047	10,000,000
Total Legislative Appropriations	<u>\$312,848,689</u>	<u>\$19,747,759</u>	<u>\$332,596,448</u>
Funding Gap	<u>(\$15,954,613)</u>	<u>\$0</u>	<u>(\$15,954,613)</u>

The above table reflects the following:

1. Excludes Costs/funding for pay plan
2. Cost estimates based upon assumptions used in OBPP/MUS Technical Work Group, Fall 2008
3. Add'l needed for CAP at MUS uses State Percent Share at 85 percent, based upon resident & WUE student enrollment
4. Add'l needed for CAP at CC's is CC estimate and is not verified
5. Proposed tuition mitigation allocated to CCs first
6. Excludes any expenditure reduction that may be considered by Board of Regents or CC Local Boards